PORT OF PORTLAND

AGENDA
Regular Commission Meeting
Port of Portland Headquarters
7200 N.E. Airport Way, 8th Floor
June 9, 2010
9:30 a.m.

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**Executive Director**

Approval of Executive Director's Report – May 2010

**Action Items**

1. EXTENSION OF THE WEST HAYDEN ISLAND INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF PORTLAND — *SUSIE LAHSENE*

   Requests approval of an amendment to an Intergovernmental Agreement with the City of Portland for planning services to complete a West Hayden Island plan district and annexation proposal.

2. AIRLINE LEASE AND OPERATING AGREEMENT FOR PASSENGER AND CARGO AIRLINES AT PORTLAND INTERNATIONAL AIRPORT — *VINCE GRANATO, CHRIS MADSEN*

   Requests approval of a new five-year Passenger Operating and Lease Agreement and Cargo Operating and Lease Agreement for airlines operating at Portland International Airport.

3. SECOND READING AND EMERGENCY ADOPTION OF ORDINANCE NO. 433–R REGARDING CERTAIN RENTS, FEES AND OTHER CHARGES AND REGULATING THE USE OF FACILITIES AND SERVICES AT PORTLAND INTERNATIONAL AIRPORT — *VINCE GRANATO*

   Requests a second reading and emergency adoption of proposed Port of Portland Ordinance No. 433-R regarding certain rates, charges, and fees and regulating the use of Portland International Airport by commercial airlines that are not party to a lease and operating agreement with the Port.

4. SERVICE CONTRACTS – CONSTRUCTION INSPECTION AND PROJECT SUPPORT TEMPORARY PERSONNEL AS REQUIRED — *TOM PETERSON*

   Requests approval of two service contracts with URS Corporation and Hatch Mott MacDonald, LLC, for temporary staffing as needed for construction support services.

5. CONSTRUCTION CONTRACT AMENDMENT – NORTH RUNWAY EXTENSION, PHASE 2 – PORTLAND INTERNATIONAL AIRPORT *GEORGE SEAMAN*

   Requests approval to amend the construction contract with Nutter Corporation for Phase 2 construction work of the North Runway Extension project at Portland International Airport.

PORT OF PORTLAND

Agenda Item No. 1

EXTENSION OF THE WEST HAYDEN ISLAND INTERGOVERNMENTAL AGREEMENT WITH THE CITY OF PORTLAND

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June 9, 2010

Presented by: Susie Lahsene
Transportation and Land use
Policy Manager

**EXECUTIVE SUMMARY**

This agenda item requests approval of an amendment to an Intergovernmental Agreement (IGA) with the City of Portland for planning services to complete a West Hayden Island plan district and annexation proposal. The amendment increases payment to the City for reimbursement of planning costs in an amount not to exceed $322,000 and extends the IGA for one year.

**BACKGROUND**

West Hayden Island (WHI) is located along the south shore of the Columbia River, just north of Terminal 6 and west of the BNSF railroad tracks. The approximately 825 acres includes vacant land, wildlife habitat, a dredge material handling facility, a City of Portland sewer outfall, and BPA and PGE right-of-way and electric transmission lines. In-water areas immediately adjacent to WHI are used for barge mooring and log raft storage.

Metro brought West Hayden Island into the urban growth boundary in 1983 for the express purpose of satisfying a regional need for marine industrial facilities. In 1994, the Port of Portland (Port) purchased WHI to meet a future marine need due to its proximity to the Columbia River shipping channel, class 1 mainline and Interstate 5. While the property is within the urban growth boundary, it is not within the City of Portland City limits. Required urban services for future development dictate the need to annex the property into the City of Portland for the provision of urban services. As part of the annexation process, the City assigns zoning and future development conditions through a plan district.

In Metro's 2040 Growth Concept Plan (1995), the northern portion of WHI was designated industrial and the southern portion designated as open space. In the 2004 Metro Title 4 decision, all of WHI was designated as Regionally Significant Industrial land and reflected in the updated 2040 growth concept. In 2005, Metro also identified WHI as a high-value riparian area and habitat of concern. In consideration of the high urban development value also on the site, WHI received a designation of moderate habitat conservation area in Metro's Title 13 process. Metro Title 13, Nature in Neighborhoods, code section 3.07.1330(B)(4)(a) states the City shall develop a district plan in cooperation with the Port of Portland.

In the summer of 2007, the City began preparation of the Hayden Island Plan (land east of BNSF railroad tracks). The Hayden Island Plan was scheduled to coincide with the work on improvements planned for the I-5 corridor across Hayden Island, known as the Columbia River Crossing. Given the timing of the Hayden Island Plan and the Columbia Crossing, the City and the Port agreed to work collaboratively on future planning for the western portion of Hayden Island.

On May 29, 2009, the City and Port entered into an IGA to prepare a long-term vision for WHI. The Port agreed to pay the City $440,000 for consultant and planning services through July 2010. The City initiated a process to consider annexation of WHI into the City of Portland and zoning in a manner compatible with Metro's 2040 Growth Concept Plan, Metro Titles 4, 11 and 13, and pertinent city, state and federal policies and regulations contingent upon the work contained in the IGA. The Mayor's office appointed a Community Working Group (CWG) of 16 stakeholders and provided the group a charge: to determine how the uses of marine industrial, habitat and recreation might be reconciled and if a mix of uses was possible on WHI to recommend a preferred concept plan outlining the location and geography of the uses as the basis of development conditions and annexation.

Technical consultant work is now complete and the CWG, through a series of workshops in June, will evaluate if a mix of uses is possible on the island. The City Council will hear a report from the CWG in July of 2010. That report is expected to include a description of the background reports completed over the past year, and a recommendation on whether to proceed with more detailed annexation and land use planning.

In anticipation of the recommendation of the CWG, the City and the Port now desire to amend and extend the terms of the current agreement and work plan for an additional year. Continuation of the work is, however, contingent on consideration of the CWG's recommendation and City Council direction in July of 2010. The current IGA requires amendment and extension in June 2010 prior to the July report to ensure uninterrupted continuation of the planning process from a City administrative and budgetary perspective, and is not intended to pre-judge the recommendation of the CWG and direction by City Council in July 2010. Likewise, if the recommendation of the CWG and direction by City Council is not consistent with the Port's development objectives for West Hayden Island, then the IGA provides that the Port may terminate the IGA.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That the intergovernmental agreement with the City of Portland be amended to provide additional funding of up to $322,000 and extended to July 30, 2011, for planning services for West Hayden Island, including the development of a plan district in preparation for annexation and adoption of City Comprehensive Plan and zoning designations; and
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> BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

**PORT OF PORTLAND**

Agenda Item No. 2

AIRLINE LEASE AND OPERATING AGREEMENT FOR PASSENGER AND CARGO AIRLINES AT PORTLAND INTERNATIONAL AIRPORT

June 9, 2010

Presented by: Vince Granato
Director of Financial and Administrative Services and CFO

Chris Madsen
General Manager
Aviation Business & Properties

## EXECUTIVE SUMMARY

This agenda item requests approval of a new five-year Passenger Operating and Lease Agreement and Cargo Operating and Lease Agreement (Signatory Agreements) for airlines operating at Portland International Airport (PDX). The existing Signatory Agreements will terminate on June 30, 2010.

## BACKGROUND

Passenger and cargo airlines operating at PDX have traditionally been governed by a Signatory Agreement. The duration of PDX Signatory Agreements has decreased from a term of 20 years in 1971 to the five-year term of the current Signatory Agreement. This trend reflects the airport and airlines' desire to provide for shorter terms to be able to respond to changing business conditions in this dynamic industry. There are currently 13 signatory passenger airlines and 8 signatory cargo airlines serving PDX that operate under a Signatory Agreement that expires on June 30, 2010.

The Port of Portland (Port) and a subcommittee of airlines representing all of the airlines operating at PDX have been negotiating the terms of a new Signatory Agreement since February 2009. The airlines' goals for the new agreement were to reduce costs and create flexibility within their operations at PDX to allow for changing market conditions. For the Port, the key goal was to maintain the financial health of PDX while being responsive to airlines needs for cost management. We believe the new Signatory Agreements meet these objectives.

To meet the airline goals of cost management, the Port continues to provide revenue sharing from the PDX Port cost center with additional revenue sharing available should net revenue financial performance exceed benchmarks. The Port has also reallocated debt service coverage funds to more accurately reflect the amount of debt service coverage generated by the Port and airline cost centers. This reallocation has a $17 million benefit to the airline cost centers over the five-year term of the agreement. The Signatory Agreements also provide for an operating and maintenance expense incentive program that reduces the amount of Port cost center revenue sharing if the Port is able to reduce airline cost center operating expenses below those of the prior year. Finally, the airlines gain greater control over capital expenditures from the airline cost centers through a requirement that the Port bring projects with a value over $1 million in debt to the airlines for approval. This voting right provides the airlines with a mechanism to manage future PDX debt obligations.

The Port has met its goals by retaining the financial structure of the Port and Airline Cost Centers that exist in the current agreement and by maintaining financial metrics to adequately manage the airport into the future.

The following are the key lease terms of the new Signatory Agreements:

**<u>Summary of Significant Terms</u>**

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| Lease Term | 5 Years |
| Use of Terminal Space | All space occupied by an airline in the terminal building will be leased for five years. Airline has a one-time opportunity to return up to 25% of leased space at the beginning of the fourth year of the lease. Airline must provide a 60-day notice of space to be returned. |
| Revenue Sharing | The PDX Port cost center will provide $6 million annually to the airline cost centers to reduce the rates for long-term space leased. For the first time, revenue sharing is applied to both the airfield and terminal cost centers. Additional revenue sharing will be provided to the airline cost centers if the PDX coverage ratio exceeds 1.75x. Revenue sharing will discontinue if the PDX Port cost center coverage ratio falls below 2.35x until the coverage ratio rises and is maintained above the 2.35x level. |
| Debt Service Coverage | Debt service coverage will be collected annually and allocated to the airfield, terminal and Port cost centers in proportion to the amount of debt service supported by each cost center. |
| Capital Project Expenditures | Capital projects in the airfield or terminal cost centers over $1 million and financed with bonded debt are subject to a negative majority in interest voting provision. The capital project will proceed unless a 75% majority of number of signatory airlines and a 75% majority of airline representative revenues disapprove the project. Exceptions to voting include mandates, non-debt financed projects, and emergencies. |

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| Operating & Maintenance Expense Incentive Program | Revenue sharing will be reduced from the PDX Port cost center if airline cost center operating and maintenance expenses are reduced from the prior year. |
| Baggage Screening System Operation | Airlines have the right to form a consortium to operate the new baggage screening system. PDX would continue to provide maintenance for the system. |
| Air Service Development | The agreement permits the Port to offer fee waiver incentive programs to attract new service to unserved strategic international and domestic markets. |
| Security Deposit | No security deposit is required for airlines currently operating under the Signatory Agreement. |
| Environmental Requirements | All airlines operating at PDX would be obligated to comply with applicable laws and Port environmental requirements with respect to hazardous materials, stormwater management, de-icing protocols, noise mitigation, air quality, recycling and sustainability initiatives. |

Although the airline members of the Airport and Airline Affairs Committee have indicated their support of and recommendation for execution of the proposed Signatory Agreement, they may not be able to complete their internal approval processes in time to deliver executed agreements by July 1, 2010.

For this reason, the Port has agreed to give airlines that are currently Signatory Airlines a grace period to complete their approval processes. Airlines would be governed by and invoiced under the terms of the new Signatory Agreement if approved today, effective July 1, 2010, provided they return an executed Signatory Agreement no later than August 30, 2010.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to enter into Signatory Passenger Lease and Operating Agreements and Signatory Cargo Carrier Operating Agreements with the airlines serving Portland International Airport; and
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> BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by legal counsel.

PORT OF PORTLAND

Agenda Item No. 3

SECOND READING AND EMERGENCY ADOPTION OF ORDINANCE NO. 433–R REGARDING CERTAIN RENTS, FEES AND OTHER CHARGES AND REGULATING THE USE OF FACILITIES AND SERVICES AT THE PORTLAND INTERNATIONAL AIRPORT

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June 9, 2010

Presented by: Vince Granato
Director of Financial and Administrative Services and CFO

**EXECUTIVE SUMMARY**

This agenda item requests a second reading and emergency adoption of proposed Port of Portland (Port) Ordinance No. 433-R regarding certain rates, charges, and fees and regulating the use of Portland International Airport (PDX) by commercial airlines that are not party to a lease and operating agreement with the Port (signatory agreement).

The existing signatory agreements will terminate on June 30, 2010, and a new agreement or an Ordinance must be in place by July 1, 2010, for airlines to continue to operate at PDX. A Port ordinance becomes effective the 30th day after it is adopted, unless declared an emergency ordinance which may take effect upon adoption. Staff recommends emergency adoption of Ordinance 433-R to avoid a nine-day gap between the expiration of the current signatory agreements and the July 9 effective date of Port Ordinance 433-R. The Port may not receive executed signatory agreements prior to expiration of the current agreements.

**BACKGROUND**

There are currently 13 signatory passenger airlines and 8 signatory cargo airlines serving PDX that operate under a signatory agreement that expires on June 30, 2010. The Commission will consider a new signatory agreement on June 9, 2010, which if approved, would have an effective date of July 1, 2010.

Passenger and cargo airlines operating at PDX have traditionally been governed by a signatory agreement. The duration of PDX signatory agreements has decreased from a term of 20 years in 1971 to the five-year term of the current signatory agreement. This trend reflects the airport and airline desire to provide for shorter terms to be able to respond to changing business conditions in this dynamic industry.

Proposed Ordinance 433-R would establish rates, charges and airport use requirements both to accommodate carriers that do not want to assume financial and leasing commitments for the full term of a signatory agreement and to establish a legal framework for these purposes in the absence of a signatory agreement. Unlike a signatory agreement, the proposed Ordinance would not expire by its terms. It would remain in place to create a legal structure for airlines wishing to operate without a long-term agreement or as a back-stop to an expired agreement.

The Federal Aviation Administration requires airports to establish non-discriminatory rates and charges for the use of airport facilities, but specifically authorizes airports to establish a rate structure that reflects the value of the long-term financial commitment to the airport that airlines make through a signatory agreement. Proposed Ordinance 433-R would permit airlines to operate at PDX on a month-to-month basis. The incentive to sign the signatory agreement is that the financial terms of the proposed Ordinance are less favorable than those of the signatory agreement. A detailed Section by Section Analysis of the Ordinance is attached. The following is a summary of the business terms of the Ordinance:

**Summary of Significant Terms**

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| Use of Terminal Space | All space occupied by an airline in the Terminal Building would be licensed on a month-to-month basis contingent upon advance payment of a security deposit, proof of insurance, indemnification of the Port and subject to compliance with terminal use restrictions, applicable laws, safety and security protocols and the PDX Rules. |
| Use of Airfield | Airfield use would require advance Port authorization as well as compliance with Port use restrictions regarding aircraft service and maintenance, use of the ground run-up enclosure, and aircraft and ground support equipment parking and storage. |
| Rents and Fees Paid by Airlines | All rental rates and fees would be 25% higher than the rates and fees calculated under the methodology set forth in the proposed Ordinance and current signatory airline agreement, after removal of revenue sharing provided by the PDX Port Cost Center. |
| No Revenue Sharing | No revenue sharing from the PDX Port Cost Center would be applied to either the Airfield or Terminal Cost Centers for rate setting purposes. |
| No Voting on Capital Project Expenditures | Airlines operating under the Ordinance would have no voting rights with respect to capital projects impacting the Airfield or Terminal Cost Centers. |
| Security Deposit | Airlines would be required to post a minimum security deposit equal to three months average Terminal Rents and Landing Fees. |

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| Environmental Requirements | All airlines operating at PDX would be obligated to comply with applicable laws and Port environmental requirements with respect to hazardous materials, stormwater management, de-icing protocols, noise mitigation, air quality, recycling and sustainability initiatives. |

The existing signatory agreement will terminate on June 30, 2010, and a new agreement or an Ordinance must be in place by July 1, 2010, for airlines to continue to operate at PDX. The Port has granted the airlines currently operating at PDX a 60-day grace period to accommodate their respective corporate signatory agreement review and approval processes, and has received one signed agreement as of the date of publication of this regular Commission meeting. Provided the Commission approves both the new signatory agreement today, and enacts Ordinance 433-R under emergency procedures, effective July 1, 2010, all airlines that are currently signatory airlines would be deemed to be governed by and would be invoiced under the terms of the new signatory agreement effective July 1, 2010. However, if an airline fails to return its signed signatory agreement by August 30, 2010, it would instead be deemed to have operated under the Ordinance and would be retroactively billed at the Ordinance 433-R rates from July 1, 2010. Airlines would have the opportunity to execute the signatory agreement any time during its proposed five-year term.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That Port of Portland Ordinance No. 433-R in the form presented to Commission, be given a second reading by title only; and
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> BE IT FURTHER RESOLVED, That Port of Portland Ordinance 433-R be adopted under an emergency process and be made effective July 1, 2010, to ensure that a legal framework remains continuously in place to impose rent, fees and other charges and to regulate the use of facilities and services at the Portland International Airport by air carriers that have not signed an agreement with the Port; and
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> BE IT FURTHER RESOLVED, That Ordinance 433-R be enacted by a roll-call vote.

**PORT OF PORTLAND**

Agenda Item No. 4

SERVICE CONTRACTS – CONSTRUCTION INSPECTION AND PROJECT SUPPORT TEMPORARY PERSONNEL AS REQUIRED

June 9, 2010

Presented by: Tom Peterson
Engineering
Chief Engineer

## EXECUTIVE SUMMARY

This agenda item requests approval of two service contracts with URS Corporation (URS) and Hatch Mott MacDonald, LLC (HMM) for temporary staffing as needed for construction support services. The contracts are for a period of three years from the date of the contracts and are designed to be administered on the basis of task orders, with no task order to exceed the amount of $250,000.

## BACKGROUND

Historically, the Port of Portland (Port) augments inspection and construction support staff through the use of temporary construction support services contracts. Given the fluctuating construction workload and the seasonal nature of civil construction projects, it is neither practical nor cost-effective to permanently employ sufficient personnel with the requisite skill sets to meet our needs on an ongoing basis. Appropriate levels of required construction support services are difficult to predict. Inspection coverage in particular is primarily driven by the contractor's work schedule, which often involves multiple shifts and is not known until bid opening. To ensure that the right staff and skills are available, the Port regularly selects qualified construction support staffing firms through a competitive proposal process every three to four years. This practice is consistent with the approach used by other Port departments (such as Information Technology and Environmental) to fill temporary staffing needs.

Typically, the Construction Services Department has focused on a small staff of construction contract mangers and inspectors and has relied on a pool of two vendors for construction support services to augment staff. The last Request for Proposals (RFP), issued in 2007, increased the pool to three vendors in anticipation of the services required to support the large capital construction program the Port was planning. Those vendors were URS, HMM and CMTS. Over the three-year period of these previous contracts, the total compensation payable thereunder increased to $6.2 million, with the highest-use vendor (URS) at $2.7 million. Those costs were distributed among all respective capital projects. Given the smaller capital construction project workload anticipated in the next few years, Port staff has determined a need for two contracts, with a total estimated expenditure of $1 million to $1.5 million in the first year and decreasing significantly in the following years.

Usage of each firm depends on the respective firm's ability to provide the required services on a project-by-project basis. As construction support needs for our construction projects are identified, the firms will be requested to submit proposals for the specific project, identifying the proposed individuals and their qualifications and experience. Port staff will then interview proposed individuals to determine which individuals would be deployed as temporary personnel on our projects, the most desirable of the firms is selected on that basis, and task orders are then established for the specific projects and individuals.

An RFP was issued in February 2010, resulting in the submission of 15 proposals. Evaluation criteria published in the RFP were: 1) qualifications of proposer; 2) project team; and 3) Emerging Small Business participation. A team of Port staff evaluated the proposals and determined that URS and HMM were the most responsive to the RFP evaluation criteria.

The contracts do not guarantee any specific work or payment unless a need is identified and qualified temporary personnel are selected. Task orders will be issued for specific individuals with skill sets that meet defined objectives and project durations; no task order will exceed $250,000. All task orders issued against these contracts that exceed $50,000 will be reported to the Commission in the Executive Director’s monthly report.

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to award service contracts to URS Corporation and Hatch Mott MacDonald, LLC, for temporary personnel as required, consistent with their proposals; and
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> BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.

PORT OF PORTLAND

Agenda Item No. 5

CONSTRUCTION CONTRACT AMENDMENT – NORTH RUNWAY EXTENSION, PHASE 2 – PORTLAND INTERNATIONAL AIRPORT

June 9, 2010 | Presented by: George Seaman, Engineering Project Manager

## EXECUTIVE SUMMARY

This agenda item requests approval to amend the construction contract with Nutter Corporation (Nutter) for Phase 2 construction work of the North Runway Extension (NREX) project at Portland International Airport (PDX) to complete the rehabilitation of Taxiway A.

## BACKGROUND

In July 2009, the Commission approved the construction contract to rehabilitate the majority of Taxiway A by upgrading the existing pavement utilizing mill and inlay to various depths, with some full-depth reconstruction to the west of exit A6. As part of the American Recovery and Reinvestment Act of 2009, the Federal Aviation Administration offered to fund the project using stimulus dollars at 100% reimbursement of eligible costs.

The pavement at the western end of Taxiway A, the intersection of Taxiways A, E, and T, was not included in the initial Taxiway A project due to limitations on stimulus funding availability. This pavement was recently discovered to be in worse-than-expected condition. Because this intersection will receive significant increased usage in 2011 with the closure of South Runway, the pavement rehabilitation of this intersection (which was originally planned for 2012) has become a higher priority.

This proposed amendment to the NREX contract with Nutter will address the rehabilitation of this critical Taxiway A7 intersection adjacent to the ongoing NREX and Taxiway A projects. The amendment includes full depth reconstruction of the existing pavement with some areas of mill and inlay to integrate into existing pavement surfaces. Centerline and edge lighting, drainage modifications and other ancillary work normally included in a pavement rehabilitation project are included in the scope of this amendment. The cost of this amendment, in the amount of $1,900,000, is determined based on unit prices from Nutter's bid on the NREX contract.

The overall NREX project budget is $71,025,000. The project is being funded by a number of sources, including a Connect Oregon 2 grant ($5,880,000), Federal Aviation Administration Airport Improvement Program grants ($40,593,000), and airport revenue bonds.

The work in this amendment will be completed during the second stage of the NREX Phase 2 project, July 17 through September 17, during which the North Runway will be closed for all aircraft use.

Contract Information

The costs of this contract amendment are predominately determined by extending the unit prices bid by Nutter on the NREX Phase 2 construction contract. Small modifications to lump sum price components, mobilization, cleanup, sweeping, traffic control, escorting, etc., are also part of the amendment.

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| Original Contract Amount | $14,998,900.22 |
| Proposed Amendment | $ 1,900,000.00 |
| New Contract Amount | $16,898,900.22 |

## EXECUTIVE DIRECTOR'S RECOMMENDATION

The Executive Director recommends that the following resolutions be adopted:

> BE IT RESOLVED, That approval is given to amend the existing construction contract with Nutter Corporation for the North Runway Extension Phase 2 Project, consistent with the terms presented to the Commission; and
>
> BE IT FURTHER RESOLVED, That the Executive Director or his designee is authorized to execute the necessary documents on behalf of the Port of Portland Commission in a form approved by counsel.